

CHARLEVOIX COUNTY PUBLIC TRANSIT
REPORT ON FINANCIAL STATEMENTS
(with supplemental information)
YEARS ENDED SEPTEMBER 30, 2008 AND 2007

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**CHARLEVOIX COUNTY PUBLIC TRANSIT
COMMITTEE MEMBERS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Henry Erber, Chairperson

Ronald Reinhardt, Vice-chairperson

Jane Brannon, Secretary



Independent Auditor's Report

To the Transit Committee
Charlevoix County Public Transit

We have audited the accompanying financial statements of the Charlevoix County Public Transit of Charlevoix County, as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Charlevoix County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Charlevoix County Public Transit and do not purport to, and do not present fairly the financial position of Charlevoix County, and the changes in financial position and cash flows, where applicable for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlevoix County Public Transit of Charlevoix County, as of September 30, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2008, on our consideration of Charlevoix County Public Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiring of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

December 29, 2008

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2008**

This section of Charlevoix County Public Transit's annual financial report presents its discussion and analysis of the Public Transit's financial performance during the fiscal years ending September 30, 2008 and 2007.

Financial Highlights

- The Public Transit's financial status increased during the year. Total net assets increased 6.3% over the course of the year.
- Overall revenues were \$1,203,655, which included \$581,071 from operating grants.
- The Public Transit received \$77,262 in capital grants during the year to purchase one new bus.
- State operation funding decreased 6.4% from the prior year to 36.15% of eligible expenses from 38.62%.
- Federal operation funding decreased to 16% from 17.0% in the prior year.
- Transit ridership decreased 22.58% from the prior year, due to meals on wheels no longer being counted as rides (80% of the decrease), and the elimination of transportation services that gave the appearance of closed door or charter rules violations.
- The Public Transit's tax base increased by 6.47%.

Overview of the Financial Statements

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include both *short-term* and *long-term* information about the Public Transit's *overall* financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Public Transit's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Charlevoix County Public Transit Basic Financial Statements

The Public Transit basic financial statements report information about the Public Transit using the full accrual method of accounting. The statement of net assets includes all of the Charlevoix County Public Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2008**

The Charlevoix County Public Transit basic financial statements report the Public Transit's *net assets* and how they have changed. Net assets-the difference between the Public Transit's assets and liabilities-is one way to measure the Public Transit's financial health or *position*.

- Over time, increases or decreases in the Public Transit's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Public Transits overall health, you need to consider additional non-financial factors such as changes in the Public Transit's property tax base and the condition of buildings and other facilities.

Financial Analysis of the Charlevoix County Public Transit

Net assets. The Charlevoix County Public Transit's *combined* net assets were higher on September 30, 2008, than they were the year before, increasing 6.4% to \$1,495,430. Figure A-1 illustrates the valuation of net assets on September 30, 2008 and 2007.

Figure A-1

Condensed Statement of Net Assets

	<u>9/30/08</u>	<u>9/30/07</u>
Assets		
Current	\$ 1,246,100	\$ 1,117,736
Non-Current	343,215	440,431
	<u>\$ 1,589,315</u>	<u>\$ 1,558,167</u>
 Liabilities		
Current	\$ 93,885	\$ 152,038
Net Assets		
Invested in Capital Assets	343,215	440,431
Unrestricted	1,152,215	965,698
	<u>1,495,430</u>	<u>1,406,129</u>
 Liabilities and Net Assets	 <u>\$ 1,589,315</u>	 <u>\$ 1,558,167</u>

The Public Transit's financial position, in total, increased from the prior year. State financing has decreased 1.2% and the tax based increased 6.47%.

The ridership for Charlevoix County Public Transit decreased 22.58% from the year ended September 30, 2008 compared to September 30, 2007. With total riders of 70,444 and 90,992 for the years ended September 30, 2008 and 2007, respectively.

Figure A-2 illustrates changes in net assets for operations as of September 30, 2008 and 2007.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2008**

Figure A-2

Changes in Net Assets from Operating Results

For the year ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Charges for Services	\$ 109,527	\$ 115,961
Operating Grants and Contributions	581,071	553,000
Local revenues	513,057	500,131
	<u>1,203,655</u>	<u>1,169,092</u>
Expenses:		
Operating expenses	<u>1,191,616</u>	<u>1,182,929</u>
 CAPITAL GRANTS	 <u>77,262</u>	 <u>75,327</u>
 CHANGE IN NET ASSETS	 89,301	 61,490
 NET ASSETS, beginning of year	 <u>1,406,129</u>	 <u>1,344,639</u>
 NET ASSETS, end of year	 <u><u>\$ 1,495,430</u></u>	 <u><u>\$ 1,406,129</u></u>

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the Public Transit had invested \$2,042,610 in vehicles, equipment and buildings. This amount is higher than the previous year due to the purchase of one bus. Total depreciation expense for the year was \$174,478. Figure A-3 details the historical costs, accumulated depreciation, and book value of the Public Transit's capital assets.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2008**

Figure A-3

Statement of Capital Assets

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
	<u> </u>	<u> </u>	<u> </u>
September 30, 2008			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	1,003,195	1,108,896
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	383,215	1,659,395	2,042,610
Less accumulated depreciation	<u>314,648</u>	<u>1,384,747</u>	<u>1,699,395</u>
Net Property and Equipment	<u><u>\$ 68,567</u></u>	<u><u>\$ 274,648</u></u>	<u><u>\$ 343,215</u></u>
September 30, 2007			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	925,933	1,031,634
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	383,215	1,582,133	1,965,348
Less accumulated depreciation	<u>298,066</u>	<u>1,226,851</u>	<u>1,524,917</u>
Net Property and Equipment	<u><u>\$ 85,149</u></u>	<u><u>\$ 355,282</u></u>	<u><u>\$ 440,431</u></u>

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2008**

Factors Bearing on the Public Transit's Future

At the time these financial statements were prepared and audited, the Public Transit was aware of the following circumstance that could significantly affect its financial health in the future:

- Federal operating will decrease from 17.0% to 16.0% of eligible operating expenses in 2009.
- State operating funds will decrease from 36.15% to 35.62% of eligible expenses in 2009.
- Projected decreases/increases in Federal and State operating assistance are closely monitored by Transit management. Annual budgets take these issues into consideration when setting efficiency/effectiveness goals to meet the level of service affected by these decreases/increases.
- Property/Casualty (and liability)- The retrospective premiums for high loss years of 2001-2002 have stabilized. As these cases settle over the life cycle of pending claims (5-7 years), some premium reductions are possible due to lower settlements than initial reserves set aside. Aggressive risk management and defense of claims brought against the MTP continues to make membership in the MTP very affordable. Proper use of the pools premium stabilization account provides a reasonable level of stabilization to each member.

Contacting the Public Transit's Financial Management

This financial report is designed to provide the Charlevoix County Public Transit's citizens, taxpayers, and customers with a general overview of the Public Transit's finances and to demonstrate the Public Transit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charlevoix County Public Transit Business, 1050 Brockway St., Boyne City, MI 49712.

CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash	\$ 1,117,830	\$ 1,015,483
Receivables:		
Accounts	6,213	5,641
Interest	2,949	2,949
Grants receivable from State	64,529	21,160
Inventories	30,862	29,805
Prepaid expenses	<u>23,717</u>	<u>42,698</u>
Total Current Assets	1,246,100	1,117,736
PROPERTY AND EQUIPMENT, less accumulated depreciation	<u>343,215</u>	<u>440,431</u>
TOTAL ASSETS	<u><u>\$ 1,589,315</u></u>	<u><u>\$ 1,558,167</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 36,867	\$ 29,800
Accrued expenses	12,040	9,692
Due to other funds		14,346
Due to State	1,287	26,091
Accrued sick and vacation	23,691	33,143
Deferred liability	<u>20,000</u>	<u>38,966</u>
Total Current Liabilities	<u>93,885</u>	<u>152,038</u>
NET ASSETS:		
Invested in capital assets	343,215	440,431
Retained earnings	<u>1,152,215</u>	<u>965,698</u>
Total Net Assets	<u>1,495,430</u>	<u>1,406,129</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,589,315</u></u>	<u><u>\$ 1,558,167</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES	\$ 109,527	\$ 115,961
OPERATING EXPENSES	<u>1,191,616</u>	<u>1,182,929</u>
Operating Loss	<u>(1,082,089)</u>	<u>(1,066,968)</u>
NON-OPERATING REVENUES (EXPENSES):		
Local	513,057	500,131
State and federal	<u>581,071</u>	<u>553,000</u>
Total Non-Operating Revenues	<u>1,094,128</u>	<u>1,053,131</u>
Increase (Decrease) in Net Assets before Capital Grants	<u>12,039</u>	<u>(13,837)</u>
CAPITAL GRANTS	<u>77,262</u>	<u>75,327</u>
INCREASE IN NET ASSETS	89,301	61,490
NET ASSETS, beginning of year	<u>1,406,129</u>	<u>1,344,639</u>
NET ASSETS, end of year	<u><u>\$ 1,495,430</u></u>	<u><u>\$ 1,406,129</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 108,955	\$ 118,143
Cash payments to supplies and employees	<u>(1,032,562)</u>	<u>(980,008)</u>
Net cash used in operating activities	<u>(923,607)</u>	<u>(861,865)</u>
CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:		
Local tax levy received	469,285	440,642
Other miscellaneous revenue	9	
Operating grants received	<u>512,898</u>	<u>596,902</u>
Net cash provided by non-capital financing	<u>982,192</u>	<u>1,037,544</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(77,262)	(63,760)
Proceeds from sale of fixed assets		3,266
Capital grants received	<u>77,262</u>	<u>75,327</u>
Net cash provided by capital and related financing activities	<u></u>	<u>14,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>43,762</u>	<u>56,223</u>
NET INCREASE IN CASH	102,347	246,735
CASH, beginning of year	<u>1,015,483</u>	<u>768,748</u>
CASH, end of year	<u><u>\$ 1,117,830</u></u>	<u><u>\$ 1,015,483</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
RECONCILIATION OF OPERATING LOSS TO NET
CASH USED IN OPERATING ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating loss	\$ (1,082,089)	\$ (1,066,968)
Adjustments to reconcile operating loss to net cash provided		
By operating activities:		
Depreciation	174,478	188,937
Accounts receivable	(572)	2,182
Inventories	(1,057)	538
Prepaid expenses	18,981	(17,867)
Accounts payable	7,069	11,626
Accrued expenses	2,347	19,002
Due to/from	(14,346)	
Deferred liabilities	(18,966)	
Accrued sick and vacation pay	(9,452)	685
	<u>158,482</u>	<u>205,103</u>
Total adjustments		
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (923,607)</u>	<u>\$ (861,865)</u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: DESCRIPTION OF THE REPORTING ENTITY

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

NOTE 2: DESCRIPTION OF FUND

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charlevoix County Public Transit conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Charlevoix County Public Transit follows the accrual basis of accounting. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Cash

Cash is maintained by the County Treasurer in a common cash account with other County funds.

Inventories

Inventories of replacement parts are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets & Depreciation

Capital assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets with an initial, individual cost of less than \$5,000 and/or an estimated useful life of less than one year and purchased with Federal and/or State grants are expensed and subtracted out as ineligible on the "Maximum Reimbursement Computations of Local Bus Operating Assistance". Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Depreciation expense included to be reimbursed with State Funds only include assets purchased with local funds where the useful life of the asset has been approved by the Bureau of Passenger Transportation. The estimated useful lives are as follows:

Buildings	20 years
Equipment	2-10 years
Buses	4-10 years

Bad Debts

Charlevoix County Public Transit does not use the allowance for bad debt method since all receivables are deemed collectible.

Cost Allocation Plans

Charlevoix County Public Transit has five cost allocation plans where the methodology has been approved by the Bureau of Passenger Transportation (BPT). None were applicable in the fiscal year ended September 30, 2008, and therefore, none were used in the preparation of the financial statements.

Capital Money

No capital money was used to pay for operating expenses and none are included in the total expenses to be reimbursed with State Formula Funds.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4: PROPERTY & EQUIPMENT

Major classes of property and equipment consist of the following:

Business-type activities	<u>Balance 09/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09/30/08</u>
Capital assets, being depreciated				
Buildings	\$ 673,873	\$	\$	\$ 673,873
Vehicles	1,031,634	77,262		1,108,896
Bus and garage equipment	219,460			219,460
Furniture, fixtures and equipment	<u>40,381</u>			<u>40,381</u>
Total capital assets being depreciated	<u>1,965,348</u>	<u>77,262</u>		<u>2,042,610</u>
Less accumulated depreciation for:				
Buildings	502,291	33,662		535,953
Vehicles	797,922	124,374		922,296
Bus and garage equipment	184,323	16,442		200,765
Furniture, fixtures and equipment	<u>40,381</u>			<u>40,381</u>
Total accumulated depreciation	<u>1,524,917</u>	<u>\$ 174,478</u>	<u>\$</u>	<u>1,699,395</u>
Total capital assets, being depreciated, net	<u>440,431</u>			<u>343,215</u>
Business-type activities capital assets, net	<u>\$ 440,431</u>			<u>\$ 343,215</u>

	<u>Purchased with Public Transit Funds</u>	<u>Purchased with Capital Grants</u>	<u>Total</u>
September 30, 2008			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	1,003,195	1,108,896
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	383,215	1,659,395	2,042,610
Less accumulated depreciation	<u>314,648</u>	<u>1,384,747</u>	<u>1,699,395</u>
Net Property and Equipment	<u>\$ 68,567</u>	<u>\$ 274,648</u>	<u>\$ 343,215</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4: PROPERTY & EQUIPMENT – Continued:

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
September 30, 2007			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	925,933	1,031,634
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	15,990	24,391	40,381
	383,215	1,582,133	1,965,348
Less accumulated depreciation	298,066	1,226,851	1,524,917
Net Property and Equipment	<u>\$ 85,149</u>	<u>\$ 355,282</u>	<u>\$ 440,431</u>

Depreciation is computed on a straight-line method for all assets. Depreciation expense for the years 2008 and 2007 was \$174,478 and \$188,937, respectively.

The land which was used to place the Public Transit facility on was donated by the Charlevoix County Road Commission to the County and is not reflected on the Public Transit records.

NOTE 5: RETIREMENT PLAN

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 17.00 percent of covered gross payroll for 2008 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS

NOTE 6: VACATION & SICK LEAVE

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of 30 days in a one year period, and up to 10 days may be carried over.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 65 days.

Vacation pay is payable at 100 percent to employees when they terminate employment.

Sick pay is payable to employees when they leave employment to a maximum of 25 percent of the remaining accumulated sick leave up to a maximum of 65 days.

Vacation or sick leave utilized during the year is recorded as current fringe benefit expenditures. At year end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an applicable adjusting entry posted to the liability and expenditure account.

Vacation and sick leave accrued and expensed for the fiscal year ended September 30, 2008 and 2007 resulted in a decrease to expense of \$9,452 and in increase to expense of \$685, respectively.

NOTE 7: DEPOSITS & INVESTMENTS

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below. Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2008 and 2007, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposits.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents. At the end of the year, a \$200,000 Certificate of Deposit was held with a maturity of less than three months. The Transit Authority has no investments that require disclosure under GASB 40. The Transit Authority follows the investment policy of the County.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: PROPERTY TAX LEVY COLLECTED IN 2007

<u>Mills</u>	<u>Adjusted Levy</u>	<u>Tax collections and purchased By County</u>	<u>IFT & CFT Collections</u>	<u>Unpaid personal</u>
.2408	\$ 481,896	\$ 481,025	\$ 2,409	\$ 871

The IFT and CFT amounts are not included in the adjusted levy.

Taxes lost to the Cities of Charlevoix and Boyne City through the DDA and TIFA amounted to \$9,252. The 2007 Taxable Value for the County is \$1,986,716,006.

The property taxes are collected by local treasurers with the taxes becoming due and payable on December 1st of each year and payable without penalty through February 15 (or 28th), as the case may be, by option of each local unit. Taxes are returned to the County Treasurer for collection on or about March 1st of each year.

The County Treasurer purchases all uncollected real taxes in May. The Treasurer pays over to the Public Transit all current and delinquent real property taxes and all accumulated current personal property taxes in May or June of each year. All unpaid personal property taxes are paid to the Public Transit on a monthly basis as they are collected.

NOTE 10: INSURANCE POOL

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk-shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: INSURANCE POOL - continued

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Transit's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Transit also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Transit Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all Transit Authorities participate. Each Transit Authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Transit Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

NOTE 11: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2008 presentation.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the financial statements of Charlevoix County Public Transit appears on page 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charlevoix County Public Transit. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Certified Public Accountants

Traverse City, Michigan
December 29, 2008

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF OPERATING REVENUES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Demand-response:		
Passenger fares	\$ 51,680	\$ 56,742
Special fares	<u>57,847</u>	<u>59,219</u>
 TOTAL OPERATING REVENUES	 <u><u>\$ 109,527</u></u>	 <u><u>\$ 115,961</u></u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

	Operations	Maintenance	General Administration	Total 2008	Total (Memorandum Only) 2007
Labor:					
Operating salaries and wages	\$ 223,465	\$	\$ 92,678	\$ 223,465	\$ 230,581
Other salaries and wages		68,601		161,279	164,121
Dispatch salaries	68,983			68,983	54,638
Other Fringe benefits	149,923	42,693	33,323	225,939	300,396
Pensions	36,249	11,151	15,094	62,494	
Services					
Advertising/promotion expense			2,133	2,133	3,673
Audit services			6,121	6,121	6,153
Materials and supplies consumed:					
Fuel and lubricants	101,477			101,477	70,404
Tires and tubes		2,839		2,839	6,302
Other materials and supplies	12,225	21,593	4,200	38,018	38,989
Utilities	19,824	1,933	1,919	23,676	18,646
Casualty and liability cost:					
Liability and property damage insurance	24,935			24,935	25,624
Worker's compensation	4,626	662	549	5,837	5,549
Purchased services	47,154			47,154	38,719
Miscellaneous expenses:					
Travel	146	100	(98)	148	1,200
Association dues			1,669	1,669	1,690
Other miscellaneous expense	18,005		2,966	20,971	27,307
Depreciation	104,687	20,937	48,854	174,478	188,937
TOTAL EXPENSES	\$ 811,699	\$ 170,509	\$ 209,408	\$ 1,191,616	\$ 1,182,929

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF NON-OPERATING REVENUES
YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Property taxes	\$ 469,285	\$ 440,642
Interest Income	43,762	56,223
Gain on sale of fixed assets		3,266
Nontransportation revenue – check fee refund	<u>10</u>	
 TOTAL NON-OPERATING REVENUE – LOCAL	 <u><u>\$ 513,057</u></u>	 <u><u>\$ 500,131</u></u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF NON-OPERATING REVENUES
YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(continued)**

	<u>2008</u>	<u>2007</u>
State of Michigan operating grants:		
Local bus operating assistance (Act 51)	\$ 370,944	\$ 384,148
Local bus operating adjustments – 2007	15,715	
Local bus operating adjustments – 2006	9,615	
Local bus operating adjustments – 2005	15,625	
Local bus operating adjustments – 2004		(2,427)
Local bus operating adjustments – 2003		499
	<u>411,899</u>	<u>382,220</u>
Total State of Michigan operating grants		
Federal operating grants		
U.S. DOT operating grant – Section 5311		
Contract 07-0190/Z2	MI-18-X042 163,197	
Contract 07-0190/Z1/R1	MI-18-X041	168,078
Contract 02-0027/Z13		
Contract 02-0027/Z9/R1 – adjustment	1,107	
Contract 01-0022 – adjustment	632	
R-TAP expense reimbursement	4,236	2,702
	<u>169,172</u>	<u>170,780</u>
Total Federal operating grants		
TOTAL NON-OPERATING REVENUES		
- STATE AND FEDERAL	<u>\$ 580,071</u>	<u>\$ 553,000</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF CAPITAL GRANTS
YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

		<u>2008</u>	<u>2007</u>
State of Michigan capital grants:			
Contract 02-0027/Z15	MI-18-X040	\$ 15,452	\$
Contract 02-0027/Z12	MI-03-0226		2,674
Contract 02-0027/Z10	MI-18-X036		898
Contract 02-0027/Z14	MI-03-0232		<u>11,112</u>
		<u>15,452</u>	<u>14,684</u>
Total State of Michigan capital grants			
Federal capital grants			
U.S. DOT capital grant			
Contract 02-0027/Z12	MI-03-0226		10,695
Contract 02-0027/Z10	MI-18-X036		3,592
Contract 02-0027/Z15	MI-18-X040	61,810	1,908
Contract 02-0027/Z14	MI-03-0232		<u>44,448</u>
		<u>61,810</u>	<u>60,643</u>
Total Federal capital grants			
		<u>\$ 77,262</u>	<u>\$ 75,327</u>
TOTAL CAPITAL GRANTS			

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2008**

	<u>RTAP</u>	<u>Operations</u>	<u>Total</u>
Labor	\$	\$ 453,727	\$ 453,727
Fringe benefits		288,433	288,433
Services		8,254	8,254
Materials and supplies		142,334	142,334
Utilities		23,676	23,676
Casualty and liability insurance		30,772	30,772
Purchased services		47,154	47,154
Miscellaneous expense	2,966	19,822	22,788
Depreciation		174,478	174,478
	<u>\$ 2,966</u>	<u>\$ 1,188,650</u>	<u>\$ 1,191,616</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS
OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Section 5311</u>	<u>Operating Assistance</u>
Expenses:		
Labor	\$ 453,727	\$ 453,727
Fringe benefits	288,433	288,433
Services	8,254	8,254
Materials and supplies	142,334	142,334
Utilities	23,676	23,676
Casualty and liability insurance	30,772	30,772
Purchased service	47,154	47,154
Miscellaneous expenses	22,788	22,788
Depreciation	<u>174,478</u>	<u>174,478</u>
 TOTAL EXPENSES	 <u>\$ 1,191,616</u>	 <u>\$ 1,191,616</u>
Less ineligible expenses:		
Depreciation:		
Grant assets	157,896	157,896
Excess of grant – noneligible	4,577	4,577
R-TAP	2,966	2,966
Audit fees	6,121	
Dues	<u>75</u>	<u>75</u>
 Total ineligible expenses	 <u>171,635</u>	 <u>165,514</u>
 NET ELIGIBLE EXPENSES	 <u><u>1,019,981</u></u>	 <u><u>1,026,102</u></u>
 Maximum Section 5311 reimbursement 16%	 <u><u>\$ 163,197</u></u>	
 Maximum State operating Assistance 36.1508% of eligible expenses		 <u><u>\$ 370,944</u></u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
MILEAGE DATA
YEAR ENDED SEPTEMBER 30, 2008**

	Public Transportation Mileage
DEMAND RESPONSE	
First quarter	63,720
Second quarter	68,247
Third quarter	73,956
Fourth quarter	82,234
	<hr/>
TOTAL DEMAND RESPONSE	288,157
	<hr/> <hr/>

Note:

The methodology for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF FINANCIAL ASSISTANCE
FEDERAL AND STATE
YEAR ENDED SEPTEMBER 30, 2008**

Federal grantor/Pass through grantor Program title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Beginning Receivable/ (Deferral)	Receipts	Disbursements	Adjustments	Ending Receivable/ (Deferral)
<u>U.S. Department of Transportation</u>								
<u>Passed through MDOT:</u>								
Operating assistance Section 5311	20.509		\$ 165,777	\$	\$ 140,031	\$ 163,197	\$	\$ 23,166
Operating assistance Section 5311	20.509	07-0190/Z1/R1	168,078	13,894	15,181			(1,287)
Operating assistance Section 5311	20.509	02-0027/Z13/R1	165,845	16				16
Operating assistance Section 5311	20.509	02-0027/Z9/R1	131,176	(1,107)			1,107	
Operating assistance Section 5311	20.509	01-0022	100,434	(632)			632	
R-TAP Training	20.509	N/A	3,500		4,236	2,966	1,270	
Capital Grant Section 5309	20.500	02-0027/Z12	28,000	1,403	1,403			
Capital Grant Section 5311	20.509	02-0027/Z15	74,000		61,810	61,810		
TOTAL FEDERAL ASSISTANCE			<u>\$ 855,233</u>	<u>\$ 13,574</u>	<u>\$ 222,661</u>	<u>\$ 227,973</u>	<u>\$ 3,009</u>	<u>\$ 21,895</u>
<u>Michigan Department of Transportation</u>								
Operating assistance Act 51		2008	376,773		349,018	370,944		21,926
Operating assistance Act 51		2007	384,148	(8,321)	2,465		15,715	4,929
Operating assistance Act 51		2006	385,204	5,495	620		9,615	14,490
Operating assistance Act 51		2005	408,798	(16,031)			16,031	
Capital Grant Section 5309		02-0027/Z12	7,000	351	351			
Capital Grant Section 5311		02-0027/Z15	16,343		15,452	15,452		
TOTAL STATE OF MICHIGAN ASSISTANCE			<u>\$ 2,159,639</u>	<u>\$ (18,506)</u>	<u>\$ 367,906</u>	<u>\$ 386,396</u>	<u>\$ 41,361</u>	<u>\$ 41,345</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

December 29, 2008

To the Transit Committee
Charlevoix County Public Transit
Boyne City, Michigan

We have audited the financial statements of the business-type activities of Charlevoix County Public Transit as of and for the year ended September 30, 2008, which collectively comprise Charlevoix County Public Transit basic financial statements and have issued our report thereon dated December 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charlevoix County Public Transits' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlevoix County Public Transit internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charlevoix County Public Transit internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charlevoix County Public Transit ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Charlevoix County Public Transit financial statements that is more than inconsequential will not be prevented or detected by Charlevoix County Public Transit internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Charlevoix County Public Transit internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Charlevoix County Public Transits' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Transit Committee, management and the Michigan Department of Transportation and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants

731 S. Garfield Ave., Traverse City, MI 49686 tel. 231-946-8930 fax. 231-946-1377
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December 29, 2008

To the Transit Committee
Charlevoix County Public Transit

We have audited the financial statements of Charlevoix County Public Transit for the year ended September 30, 2008, and have issued our report thereon dated December 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated September 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Charlevoix County Public Transit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Charlevoix County Public Transit's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlevoix County Public Transit are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Public Transit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Public Transit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Public Transit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Transit Committee and management of Charlevoix County Public Transit and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants